

The complaint

Miss N's complaint is that National Westminster Bank Plc (NatWest) has used the compensation from three mis-sold payment protection insurance (PPI) policies to reduce the debt it says Miss N still owes it following completion of an Individual Voluntary Arrangement (IVA).

What happened

In 2009 Miss N entered into an IVA. My understanding is the IVA was completed in 2013.

NatWest was party to the IVA.

In 2019 Miss N complained to NatWest about PPI policies she had been sold with three loans taken out in 1995, 1998 and 2001.

NatWest agreed to uphold the complaints and offered compensation which Miss N accepted. But NatWest used the compensation to reduce the debt it said was still owed by Miss N.

Miss N says that as the IVA has been completed, NatWest should pay the compensation directly to her.

Our adjudicator thought NatWest had acted fairly. Miss N disagreed with the adjudicator's findings so the complaint's been passed to me.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've decided not to uphold Miss N's complaint and I'll explain why.

I've looked at the letters NatWest sent to Miss N in May 2019. I can see that on page one they mention the offers of compensation. On page two the letters mention that if Miss N had been party to an IVA any payment would be made to the "*relevant account*" and any disbursements would be managed by NatWest's insolvency team.

And on the forms which Miss N signed to accept the offers it was again stated that if Miss N had been in an IVA then "*any payment will be made to the relevant account*". So I think NatWest's offer made it clear that it intended to use the compensation to offset any outstanding debt.

Miss N has told us there is no outstanding debt as all the debt with NatWest was written off and does not exist following the completion of the IVA.

I've thought about this but when Miss N entered into the IVA, the debts she owed weren't cancelled. And they weren't cancelled when she completed the IVA in 2013. Miss N couldn't be chased for the debts. However, the debt she had with NatWest still existed.

NatWest has shown us evidence that on completion of the IVA there remained a debt of £6,154.08 which originated from a current account overdraft. I think NatWest can fairly use the compensation to reduce this balance. In effect Miss N owes NatWest the outstanding debt from her current account, and NatWest owes Miss N a smaller amount of compensation for mis-sold PPI policies. I don't think it would be fair for me to direct NatWest to pay Miss N the compensation when Miss N still owes NatWest a larger amount. So I think it's fair for NatWest to set one against the other.

I see that in June 2019 NatWest used the compensation of £4,699.85 to reduce the outstanding debt to £1,454.23.

My final decision

My final decision is that National Westminster Bank Plc has acted fairly when using the compensation from mis-sold PPI to reduce Miss N's outstanding debt. So I make no further award against National Westminster Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss N to accept or reject my decision before 20 May 2021.

Steve Thomas
Ombudsman